

# Credit Control Policy

## Document Control

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## Elliot Foundation Academies Trust Values

### 1. Put children first

- a. We trust and value your professionalism
- b. We share the responsibility for the learning and welfare of all of our children
- c. Our purpose is to improve the lives of children

### 2. Be safe

- a. Don't assume that someone else will do it
- b. Look after yourself, your colleagues and all children
- c. We are all responsible for each other's safety and well being
- d. Discuss any concerns with an appropriate member of staff

### 3. Be kind & respect all

- a. People are allowed to be different as are you
- b. Kindness creates the positive environment we all need to flourish
- c. This kindness should extend to ourselves as well as to others

### 4. Be open

- a. If you can see a better way, suggest it
- b. If someone else suggests a better way to you, consider it
- c. We exist to nurture innovators and support those who take informed risks in the interests of children

### 5. Forgive

- a. We all make mistakes
- b. Admit them, learn from them and move on

### 6. Make a difference

- a. Making the world a better place starts with you
- b. Model the behaviour that you would like to see from others

## Related policies and documents

- Charging And Remissions Policy
- Procurement and Tendering Policy

## Definitions

- Where the word 'Trust' is used in this document it refers to The Elliot Foundation Academies Trust.

## 1. Policy statement and objectives

- 1.1. This policy sets out the expectations of the Elliot Foundation Academies Trust relating to credit management and the chasing of debts. The approach should be robust, so as not to lose public money and encourage others to default, but not heavy handed.

## 2. Principles

- 2.1. This policy is approved by the Finance Committee on behalf of the Trust Board. It applies to all employees.
- 2.2. All academies should take credit control seriously, and always chase debts except where hardship cases are deemed acceptable.

## 3. Credit Control Principles and Procedures

- 3.1. The level of funds owed to academies by other parties is not usually significant. Credit control therefore should not be a major issue for our academies. However it is important that some basic steps are in place to further minimise the risk to the academy.
- 3.2. When entering into a contract to purchase significant goods or services with any supplier the issue of possible default should always be considered. In the education sector most companies are well known and robust (although in an economic downturn this may not always be the case). However caution should be exercised when dealing with a new contractor. It is not usually necessary to refer to credit reference agencies, however where there is any hint of financial difficulties, evidence should be sought to remove any significant doubt about the ability of the company to provide the services contracted for. Where the contract is of a size to require a tender process, that process should include tests of credit worthiness, including three years accounts and references. These though do not provide full assurance and should not be taken as so doing. This policy should not be seen as encouraging academies to only contract with established companies, as indeed new entrants often offer the best value, but where there is a limited track record suitable caution should be exercised. Large deposits should not be given unless absolutely required to minimise the risk of default.
- 3.3. Where the academy is providing a commercial service, such as through lettings, suitable caution needs to be exercised to minimise the risk of the

other party not paying their debts. Suitable deposits should be secured, and wherever possible the academy should request the charge in advance of the date of hiring.

- 3.4. Where amounts owed are paid in arrears it is vital that invoicing happens on a timely basis, and that outstanding debts are followed up. The academy finance team should run aged debtor reports at least quarterly to ensure that no debt is forgotten. Debts should be paid on 30-day terms. Where that term is exceeded academies should follow up with the debtor. The academy should not have to resort to debt recovery agencies, so if a significant debt remains unpaid the academy should refer to the TEFAT FD to consider next steps. The use of the small claims court may be appropriate. Template letters for chasing debts will also be provided by TEFAT head office.
- 3.5. Debts should not be written off other than in exceptional circumstances. A long outstanding debt that is deemed incapable of recovery can be written off, but any amount over £50 should only be written off with the agreement of the TEFAT FD, and where it is over £45,000 it requires DfE approval. Debt write-offs may be approved for a variety of reasons. The most common reasons include:
  - Insufficient legal proof of the debt or liability for the charge;
  - The likely expense of legal actions exceeds the likely recovery;
  - The debtor cannot be traced;
  - The debtor is unable to pay;
  - The debt represents the outstanding balance after a final dividend has been paid in cases of bankruptcy or insolvency.
- 3.6. Credit balances on debtor accounts should be reviewed on at least a quarterly basis. Credits should be used if at all possible, but if one is highly unlikely to be utilised it should be written off. Any balance above £50 should be approved by the TEFAT FD before writing off.

## **4. Pupil and Parent/Guardian Hardship**

- 4.1. All TEFAT academies will have a significant number of students from deprived backgrounds. As a result the academy needs to be mindful of the ability of pupils and parents to pay when planning trips or other activities that incur a charge (see the Charging and Remission Policy). Academies should have a suitable hardship fund available to ensure that no pupil is significantly disadvantaged due to their family's financial circumstances.
- 4.2. Where a pupil attends the academy and is likely to be eligible for free school meals, but the process is not yet complete when they start, suitable discretion should be applied in ensuring that the child is fed for free. Where the

application is subsequently denied, the academy must make a judgement call as to whether the costs of the meals so far should be charged back to the parents or guardian, but a compassionate approach should be taken in many cases.

The most disadvantaged families will need similar judgements regarding the purchase of school uniform. TEFAT does not expect academies to apply highly robust credit control procedures to pupils and parents/guardians in sensitive cases.

- 4.3. In order to minimise the risk of debts building up, parents and guardians should be encouraged to pay for school meals in advance. It is acknowledged that this may not be possible in all cases. Academies should be mindful of the pupil's needs should debts be built up and no child should be deprived of an appropriate meal during the school day due to a failure to pay by parents or guardians. It is acceptable to request that a parent or guardian provides a packed lunch until a meal related debt is cleared, but if one is not sent, then the academy retains a duty of care and must ensure the pupil is fed.
- 4.4. It is however reasonable to consider withholding other chargeable activities (such as wrap around care or non curricular trips) whilst a debt remains outstanding.
- 4.5. School trips should be paid for in full in advance, apart from in exceptional circumstances.

## 5. Staff debts

- 5.1. The academy is not a bank and should not make loans to staff except in prescribed circumstances (i.e. season ticket loans or via approved salary sacrifice schemes). In the first month of joining it is acknowledged that the costs of employment for the new staff member may be high, but discretion to advance salary is limited to 50% of a month's salary in that first month only. Recovery should be over an agreed period of no longer than six months. Staff loans in any other circumstances must first be agreed with the TEFAT FD.
- 5.2. Season ticket loans can be given to all permanent members of staff. The loan can be paid directly to the staff member, but must be recovered through payroll (after tax). The repayment period can be no longer than twelve months. Once purchased the season ticket should be shown to academy finance staff as proof of purchase.
- 5.3. Staff who leave at short notice may have already been paid until the end of the month, or have taken more holiday than allowed, or have an agreed loan and therefore owe money to the academy. This always needs to be followed

up by the academy and recoveries made from the individual.  
Where staff are leaving this information needs to be passed to finance/payroll staff at the academy as quickly as possible to minimise the risk of overpayment.